

Message Text

CONFIDENTIAL

PAGE 01 PRAGUE 00483 01 OF 02 231240Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----129597 231301Z /41

O 231105Z FEB 78
FM AMEMBASSY PRAGUE
TO SECSTATE WASHDC IMMEDIATE 4783

CONFIDENTIAL SECTION 1 OF 2 PRAGUE 0483

EXDIS

FOR COUNSELOR NIMETZ, ASST. SECRETARY VEST AND DEPUTY ASST.
SECRETARY LUERS

E.O. 11652: GDS
TAGS: PGOV, EFIN, CZ, US
SUBJECT: AMBASSADOR'S WASHINGTON CONSULTATIONS

REF STATE 036707

1. DURING MY FEB 27-MARCH 3 WASHINGTON CONSULTATIONS, I WILL
CONCENTRATE ON OUR MAJOR BILATERAL ISSUE WITH THE CZECHOSLOVAKS
AND THE SINA QUA NON FOR ANY EVENTUAL NORMALIZATION OF OUR
RELATIONS, CLAIMS/GOLD. DURING MY DECEMBER DISCUSSION OF THIS
ISSUE IN WASHINGTON, THERE WAS GENERAL AGREEMENT THAT IT IS HIGH TIME
THE U.S. SIDE AGREED UPON A NEW PROPOSAL. THERE WAS ALSO A KEEN
AWARENESS OF THE POLITICAL SENSITIVITY, PARTICULARLY IN CONGRESS, OF
DOING ANYTHING THAT COULD APPEAR TO BE
FAVORING A CZECHOSLOVAK REGIME WHICH HAS ABUSED HUMAN
RIGHTS AT HOME AND OPPOSED OUR EFFORTS AT BELGRADE.

2. THESE FACTORS ARE NOT NECESSARILY CONTRADICTORY. OVER THREE
YEARS HAVE ELAPSED SINCE CONGRESS ENACTED SECTIN 408 OF THE TRADE
ACT LEVYING SUCH A MANDATE UPON US. IT IS MY STRONG CONVICTION
THAT WE ARE OBLIGED TO RE-OPEN NEGOTIATIONS ON THIS ISSUE,
WITHOUT FURTHER DELAY EVEN THOUGH HIGH GOC LEADERS (NOTABLY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PRAGUE 00483 01 OF 02 231240Z

FOREIGN MINISTER CHNOUPEK) HAVE INDICATED INDIRECTLY THAT THEY ARE
NOT PREPARED TO SETTLE THE ISSUE ON THE BASIS OF A SUBSTANTIALLY
HIGHER PAYMENT TO U.S. CLAIMANTS THAN THAT STIPULATED IN THE
1974 INITIALLED AGREEMENT. GOC RESISTANCE IS BASED NOT ONLY ON
THE ACTUAL DOLLAR COLST OF RAISING THEIR PAYMENT BUT ALSO ON THE
POLTICIAL "PRESTIGE" COST OF APPEARING TO SETTLE MORE
GENEROUSLY WITH US THAN DID THEIR EAST EUROPEAN ALLIES IN

EARLIER AGREEMENTS. OFFICIALS

HAVE FLATLY SAID THAT THEY HAVE NOT FACTORED RETURN OF THE 18.4 TONS OF MONETARY GOLD(NOW WORTH ABOUT \$106 MILLION) INTO THEIR FINANCIAL PLANS FOR THE NEXT SEVERAL YEARS. GOC LEADERS CLEARLY ARE NOW GIVING MUCH GREATER ATTENTION AND EFFORT TO IMPROVING TIES WITH AUSTRIA, THE FRG AND OTHER NEARER WESTERN NEIGHBORS THAN WITH THE U.S. NEVERTHELESS, THERE ARE SOME IMPORTANT FIGURES-PRIME MINISTER STROUGAL IS A KEY ONE-- WHO SEEM TO SEE THE SUBSTANTIAL LONG RANGE BENEFITS IN FINALLY RESOLVING CLAIMS/GOLD AND LAYING THE BASIS FOR IMPROVED ECONOMIC AND PERHPAS POLITICAL TIES WITH THE UNITED STATES.

3. FROM OUR OVERALL INTEREST, A SHARPLY INCREASED PAYMENT IS THE ONLY BASIS UPON WHICH WE SHOULD SETTLE. MY PROPOSAL IS TO CHANGE TWO KEY ASPECTS OF THE 1974 AGREEMENT, NOT REOPEN THE ENTIRE RANGE OF ISSUES WHICH WERE DISCUSSED AT SUCH LENGTH TO REACH THAT AGREEMENT. THE ONLY CHANGES PROPOSED IN THE 1974 TEXT ARE THAT THE TOTAL PAYMENT TO U.S. CLAIMANTS (EXCLUDING THE \$9 MILLION ALREADY DISTRIBUTED) BE RAISED FROM \$20.5 MILLION TO \$35 MILLION, HOPEFULLY PAID IN ONE LUMP SUM, BUT THIS COULD BE SUBJECT OF SHARP NEGOTIATIONS. SUCH A CHANGE WOULD HELP COMPENSATE FOR THE ERODED VALUE OF THE DOLLAR OUR CLAIMANTS WILL RECEIVE. IT WOULD ALSO REFLECT THE LEVERAGE WE CAN AND SHOULD USE BY CONTROLLING THE RETURN OF THE GOLD, WHICH HAS INCREASED IN VALUE (BOTH IN CURRENT AND CONSTANT DOLLARS). THE GOC COULD WELL RESPOND TO THIS PROPOSAL BY INSISTING THAT OTHER

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PRAGUE 00483 01 OF 02 231240Z

ASPECTS OF THE 1974 AGREEMENT BE RENEGOTIATED, E.G. THE SETTLEMENT OF U.S. SURPLUS PROPERTY (ARTICLE 9) OR THE STATUS OF OUR BLOCKED CROWN ACCOUNTS (ARTICLE 8). WE SHOULD RESIST THIS AND SEEK TO LIMIT THE NEW NEGOTIATIONS TO THE CLAIMS FIGURE. SUCH A PROPOSAL IS CLEARLY THE BEST OPTION OPEN TO US. NEVERTHELESS, I SHOULD BE READY TO DISCUSS-AT THE DEPARTMENT AND ON THE HILL-ALL ASPECTS OF OTHER OPTIONS, FROM DOING NOTHING TO VESTING AND SELLING THE U.S.-HELD GOLD TO PAY OFF OUR CLAIMANTS OURSELVES.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 PRAGUE 00483 02 OF 02 231256Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----129764 231301Z/42

O 231105Z FEB 78
FM AMEMBASSY PRAGUE
TO SECSTATE WASHDC IMMEDIATE 4784

CONFIDENTIAL SECTION 2 OF 2 PRAGUE 0483

EXDIS

FOR COUNSELOR NIMETZ, ASST. SECRETARY VEST AND DEPUTY ASST.
SECRETARY LUERS

4. WHILE THE COURSE OF ACTION OUTLINED ABOVE CAN BRING PROBLEMS,
I FIRMLY BELIEVE THAT CONTINUED APPARENT INACTION ON OUR PART WILL
CREATE GREATER PROBLEMS. WE CANNOT ESCAPE OUR LEGISLATED MANDATE
TO RENEGOTIATE THIS MATTER. WE CANNOT ALLOW THE CZECHOSLOVAKS TO
CONTINUE TO BLAME US FOR THE CURRENT IMPASSE

--FAR BETTER THAT WE MAKE THEM A SPECIFIC NEW PROPOSAL THAT
ADVANCE OUR INTERESTS AND LET THEM BEAR THE ONUS OF REJECTING
IT. WE CANNOT LET OUR ELDERLY CLAIMANTS CONTINUE TO WAIT FOR
THEIR MONEY WITH NO VISIBLE SIGN THAT WE ARE WORKING FOR THEIR
INTERESTS. LAUNCHING A NEW EFFORT TO RESOLVE CLAIMS/GOLD ON
TERMS CLEARLY IN OUR OWN INTEREST WOULD ALSO ENABLE US TO SHOW U.S.
BUSINESSMEN, MANY OF WHOM FEEL THAT OUR PERCEIVED INACTION HAS
PREJUDICED THEIR COMMERCIAL INTERESTS, THAT
WE ARE WORKING TO IMPROVE THEIR ACCESS TO THE CZECHOSLOVAK MARKET.

5. WITHOUT INDULGING IN SELF-DELUSION, THERE IS REASON TO CONCLUDE
THAT WE ARE IN A PERIOD WHERE GOC RECEPΤIVITY TO A NEW U.S.
OFFER IS IMPROVING. WE HAVE SEEN OUR BILATERAL RELATIONS,
AS REFLECTED BY TREATMENT OF U.S. JOURNALISTS, PROGRESS
ON DIVIDED FAMILIES, ACCESS FOR EMBASSY OFFICERS AND OTHER PHENOMENA,
IMPROVE GRADUALLY BUT PERCEPTIVELY SINCE THE NADIR OF EARLY 1977.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PRAGUE 00483 02 OF 02 231256Z

WE READ SIGNS THAT GREATER EMPHASIS IS BEING LAID ON ECONOMIC
IMPROVEMENT, WHICH MAKES THE PROSPECT OF EVENTUAL MFN TREATMENT
ONCE CLAIMS/GOLD IS RESOLVED ALL THE MORE ATTRACTIVE. AND
IN THIS YEAR, THE TENTH ANNIVERSARY OF THE SOVIET-LED INVASION,
THE GOC WILL BE MORE EAGER THAN EVER FOR INTERNATIONAL
RESPECTABILITY.

6. THE COMING WEEKS MAY WELL BE PROPITIOUS FOR MAKING A NEW
PROPOSAL TO THE CZECHOSLOVAKS. WE EXPECT A SIGNIFICANT CENTRAL
COMMITTEE PLENUM IN MARCH (AFTER MY RETURN) AT WHICH ECONOMIC
POLICY AND OTHER KEY TOPICS WILL BE DISCUSSED. IF WE COULD
AGREE ON MY COMING BACK WITH A PROPOSAL TO GIVE TO PRIME

MINISTER STROUGAL, WITH WHOM I HAVE HAD A POSITIVE EXCHANGE
ON CLAIMS/GOLD BEFORE, WE MIGHT BE ABLE TO INDUCE A HIGH-LEVEL
RECONSIDERATION OF THE GOC POSITION AND START RENEGOTIATING IN
EARNEST.

7. I LOOK FORWARD TO DISCUSSING THESE MATTERS WITH
EACH OF YOU SHORTLY.

BYRNE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptoning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, AMBASSADORS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 feb 1978
Decapton Date: 20 Mar 2014
Decapton Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PRAGUE00483
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780084-0073
Format: TEL
From: PRAGUE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780222/aaaaasdm.tel
Line Count: 178
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7f4508d1-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 78 STATE 36707
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3504458
Secure: OPEN
Status: NATIVE
Subject: AMBASSADOR'S WASHINGTON CONSULTATIONS
TAGS: PGOV, EFIN, CZ, US
To: STATE
Type: TE
vdkgvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/7f4508d1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014